

Company Registration Number: 2847005

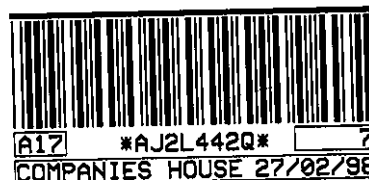
HEALTH & CARE SERVICES (NW) LIMITED

ANNUAL REPORT

PERIOD ENDED 4 FEBRUARY 1997

PANNELL KERR FORSTER

Chartered Accountants



HEALTH & CARE SERVICES (NW) LIMITED
ANNUAL REPORT
PERIOD ENDED 4 FEBRUARY 1997

DIRECTORS

M A Stratford
J L Adams

SECRETARY

S J Bishop

REGISTERED OFFICE

"Hillcairnie"
St Andrews Road
Droitwich
Worcs
WR9 8DJ

SOLICITORS

Simon Bishop & Partners
Droitwich

AUDITORS

Pannell Kerr Forster
Sheffield

BANKERS

Barclays Bank plc
Lincoln

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HEALTH & CARE SERVICES (NW) LIMITED**DIRECTORS' REPORT**

The directors present their annual report together with the financial statements for the period ended 4 February 1997.

1. RESULTS AND DIVIDENDS

The trading profit for the period after taxation was £101,835. The directors now recommend a dividend of £260,000 per share, leaving a balance of loss for the period to be carried forward of £158,165.

2. PRINCIPAL ACTIVITY

The company's principal activity during the period was the operation of residential nursing homes and the provision of specialist services at the homes.

3. DIRECTORS

The directors at the end of the period, neither of whom had any interest in the share capital of the company, are set out below. Both directors are also directors of the immediate parent company and therefore disclosure of their interests in the immediate parent company is not required.

M A Stratford - (appointed 4 February 1997)
J L Adams - (appointed 4 February 1997)

C W Bown and M A Hartlebury resigned as directors on 4 February 1997.

4. DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- * select suitable accounting policies and then apply them consistently;
- * make judgements and estimates that are reasonable and prudent;

HEALTH & CARE SERVICES (NW) LIMITED**DIRECTORS' REPORT****4. DIRECTORS' RESPONSIBILITIES (continued)**

- * prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

5. SMALL COMPANY REPORTING EXEMPTIONS

The directors have taken advantage, in the preparation of this report, of the special exemptions applicable to small companies conferred by Part II of Schedule 8 to the Companies Act 1985.

By order of the board



M A STRATFORD 29/1/98

Droitwich

Director

AUDITORS' REPORT TO THE SHAREHOLDERS OF
HEALTH & CARE SERVICES (NW) LIMITED

We have audited the financial statements on pages 5 to 10 which have been prepared under the accounting policies set out on page 7.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on pages 2 and 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 4 February 1997 and of its loss for the period then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.

Pannell Kerr Forster

PANNELL KERR FORSTER

25/2/98

Sheffield

Chartered Accountants
Registered Auditors

HEALTH & CARE SERVICES (NW) LIMITED
PROFIT AND LOSS ACCOUNT
PERIOD ENDED 4 FEBRUARY 1997

	<u>Notes</u>	Period ended <u>4.2.97</u> £	Year ended <u>31.12.95</u> £
TURNOVER	2	1,262,940	1,134,422
Cost of sales		<u>647,817</u>	<u>572,919</u>
GROSS PROFIT		615,123	561,503
Administrative expenses		<u>378,616</u>	<u>325,642</u>
OPERATING PROFIT		236,507	235,861
Interest receivable and similar income		<u>9,643</u>	<u>19,973</u>
		246,150	255,834
Interest payable and similar charges		<u>82,505</u>	<u>76,306</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	163,645	179,528
Tax on profit on ordinary activities	4	<u>61,810</u>	<u>53,765</u>
PROFIT FOR THE FINANCIAL PERIOD		101,835	125,763
Dividends		260,000	-
(LOSS) RETAINED PROFIT FOR THE PERIOD		<u>(158,165)</u>	<u>125,763</u>

All amounts relate to continuing operations.

The company has no recognised gains or losses other than those shown above.

HEALTH & CARE SERVICES (NW) LIMITED**BALANCE SHEET****4 FEBRUARY 1997**

	Notes	£	<u>4.2.97</u>	£	<u>31.12.95</u>	£
FIXED ASSETS						
Tangible assets	5			919,895		962,852
CURRENT ASSETS						
Stocks			500		-	
Debtors	6		35,572		214,242	
Cash at bank and in hand			<u>1,173</u>		<u>99,658</u>	
			37,245		313,900	
CREDITORS - Amounts falling due within one year	7		<u>643,405</u>		<u>280,352</u>	
NET CURRENT (LIABILITIES) ASSETS				(606,160)		<u>33,548</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				313,735		996,400
CREDITORS - Amounts falling due after more than one year	7		260,000		801,500	
PROVISIONS FOR LIABILITIES AND CHARGES						
Deferred taxation	8		<u>34,000</u>		<u>17,000</u>	
				<u>294,000</u>		<u>818,500</u>
NET ASSETS				<u>19,735</u>		<u>177,900</u>
CAPITAL AND RESERVES						
Called up share capital	9			1		1
Profit and loss account	10			<u>19,734</u>		<u>177,899</u>
EQUITY SHAREHOLDERS' FUNDS	11			<u>19,735</u>		<u>177,900</u>

The company has taken advantage in the preparation of the financial statements of the special exemptions conferred by Part I of Schedule 8 to the Companies Act 1985 on the grounds that the company qualifies as a small company.

Approved by the board on

M.A. Stratford
29/1/98

M A STRATFORD - Director

HEALTH & CARE SERVICES (NW) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 4 FEBRUARY 1997

1. ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material to the company's affairs.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Tangible fixed assets and depreciation

Tangible assets are depreciated over their estimated useful lives at the following annual rates:-

Leasehold land and buildings	-	2% straight line
Fixtures and fittings	-	25% reducing balance

Stocks

Stocks are stated at the lower of cost and net realisable value.

Deferred taxation

Provision is made for deferred tax, using the liability method, to the extent that it is probable that a liability will crystallise in the foreseeable future.

Turnover

Turnover represents sales at invoice value and income from residents.

Cash flow statement

The company has taken advantage of the exemption in Financial Reporting Standard No.1 from producing a cash flow statement on the grounds that it is a small company.

2. TURNOVER

The company engages in only one class of business and all sales were within the United Kingdom.

**3. PROFIT ON ORDINARY ACTIVITIES
BEFORE TAXATION**

The profit on ordinary activities before taxation
is after charging:-

	Period ended <u>4.2.97</u> £	Year ended <u>31.12.95</u> £
Auditors' remuneration		
Audit fee	3,000	3,000
Depreciation written off tangible fixed assets	45,655	48,764
	<u> </u>	<u> </u>
Directors' emoluments	-	160,000
	<u> </u>	<u> </u>

HEALTH & CARE SERVICES (NW) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 4 FEBRUARY 1997

	Period ended <u>4.2.97</u> £	Year ended <u>31.12.95</u> £	
4. TAX ON PROFIT ON ORDINARY ACTIVITIES			
Corporation tax on the profit for the period at 30.4% (1995: 30%)	44,800	45,800	
Deferred taxation	<u>17,000</u>	<u>8,000</u>	
	61,800	53,800	
Adjustment in respect of previous year	<u>10</u>	<u>(35)</u>	
	61,810	53,765	
	=====	=====	
5. FIXED ASSETS - TANGIBLE			
	<u>Freehold land and buildings</u> £	<u>Plant and machinery etc</u> £	<u>Total</u> £
<u>Cost</u>			
At 1 January 1996	896,336	141,659	1,037,995
Additions	<u>(1,000)</u>	<u>3,698</u>	<u>2,698</u>
At 4 February 1997	895,336	145,357	1,040,693
	=====	=====	=====
<u>Depreciation</u>			
At 1 January 1996	26,523	48,620	75,143
Charge for period	<u>19,601</u>	<u>26,054</u>	<u>45,655</u>
At 4 February 1997	46,124	74,674	120,798
	=====	=====	=====
<u>Net book amounts</u>			
At 4 February 1997	849,212	70,683	919,895
	=====	=====	=====
At 1 January 1996	869,813	93,039	962,852
	=====	=====	=====
	<u>4.2.97</u> £	<u>31.12.95</u> £	
6. DEBTORS			
Due within one year:			
Trade debtors	31,312	77,127	
Other debtors	4,260	875	
Amounts due from parent undertaking	<u>-</u>	<u>136,240</u>	
	35,572	214,242	
	=====	=====	

HEALTH & CARE SERVICES (NW) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 4 FEBRUARY 1997

	<u>4.2.97</u>	<u>31.12.95</u>
	£	£
7. CREDITORS		
Amounts falling due within one year:		
Bank overdraft	2,709	-
Bank loans	-	18,500
Trade creditors	3,841	5,757
Corporation tax	44,800	45,800
Other creditors	303,021	114,295
Directors' current accounts	-	96,000
Amounts due to parent undertaking	<u>289,034</u>	<u>-</u>
	<u>643,405</u>	<u>280,352</u>
Amounts falling due after more than one year:		
Proposed dividends	260,000	-
Bank loans - repayable in one to two years	-	20,500
- repayable in two to five years	-	73,500
- repayable after five years	<u>-</u>	<u>707,500</u>
	<u>260,000</u>	<u>801,500</u>
8. DEFERRED TAXATION	£	£
At 1 January 1996	17,000	9,000
Charged to profit and loss account	<u>17,000</u>	<u>8,000</u>
At 4 February 1997	<u>34,000</u>	<u>17,000</u>
Deferred taxation has been fully provided in respect of:-		
Accelerated capital allowances	<u>34,000</u>	<u>17,000</u>

9. CALLED UP SHARE CAPITAL

There was no change in share capital during the period.

	<u>Authorised</u>	<u>Allotted and</u>
	£	fully paid
	£	£
Ordinary shares of £1 each	50,000	1
	<u>50,000</u>	<u>1</u>

HEALTH & CARE SERVICES (NW) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 4 FEBRUARY 1997

	<u>Profit and loss account</u> £
10. RESERVES	
At 1 January 1996	177,899
Loss for the period	<u>(158,165)</u>
At 4 February 1997	<u>19,734</u>

11. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	<u>4.2.97</u> £	<u>31.12.95</u> £
At 1 January 1996	177,900	52,137
Profit for the financial period	101,835	125,763
Dividends payable	<u>(260,000)</u>	<u>-</u>
At 4 February 1997	<u>19,735</u>	<u>177,900</u>

12. RELATED PARTIES

The company is a wholly-owned subsidiary of Health & Care Services (UK) Limited. Management charges of £329,000 (1995: £99,000) have been paid to Health & Care Services (UK) Limited in respect of services provided by that company.

The amount owing by Health & Care Services (UK) Limited at the balance sheet date is disclosed in note 6 to the financial statements.

13. PARENT UNDERTAKINGS

The directors regard Warburg Pincus LP, a limited partnership incorporated in the United States of America, as the ultimate parent undertaking.

The parent undertaking of the smallest group of which the company is a member and for which group accounts are drawn up is Craegmoor Healthcare Company Limited, a company incorporated in Great Britain.